

IN THE MATTER OF: **THE SECURITIES ACT**

-and-

IN THE MATTER OF: **WILLIAM SEREDIUK AND ROBERT J.
SMITH AND
COMMONWEALTH MARKETING
GROUP LTD. .**

STATEMENT OF ALLEGATIONS OF STAFF OF THE MANITOBA SECURITIES COMMISSION

STAFF OF THE MANITOBA SECURITIES COMMISSION ALLEGE THAT:

A. THE RESPONDENTS

1. William Serediuk ("Serediuk") resides in the Province of Alberta. At all material times, Serediuk was not registered to trade in securities under *The Securities Act* of Manitoba (the "Act").
2. Robert J. Smith ("Smith") resides in the Province of Alberta. At all material times, Smith was not registered to trade in securities under the Act.
3. Commonwealth Marketing Group Ltd. ("Commonwealth") is a company incorporated pursuant to the laws of Alberta. At all material times, Commonwealth was not registered to trade in securities in Manitoba under the Act nor has ever filed a preliminary or final prospectus under the Act.
4. At all material times, Serediuk was a director of Commonwealth.

B. SKYWARD MANAGEMENT INC.

1. Skyward Management Inc. ("Skyward") is a company incorporated pursuant to the laws of Alberta. At all material times, Skyward was not registered to trade in securities in Manitoba under the Act nor has ever filed a preliminary or final prospectus under the Act.
2. The directors of Skyward were Blaine Cisna ("Cisna") and Peter Sheridan ("Sheridan").

3. On June 23, 2004, the Alberta Securities Commission issued an Interim Order against several Respondents, including Skyward, Sheridan, and Cisna which provided, inter alia, Skyward, Sheridan, and Cisna cease trading in securities, be denied all exemptions contained in Alberta securities laws and all trading cease in respect of the securities of Skyward. On July 8, 2004, the Alberta Securities Commission ordered the Interim Order dated June 23, 2004 be extended until the hearing in this matter is concluded and a decision is rendered or until further order. The July 8, 2004 Order remains in effect against Skyward, Sheridan, and Cisna.

C. HMS FINANCIAL INC. and HMS FINANCIAL ("HMS")

1. HMS Financial Inc. is a company incorporated pursuant to the laws of Alberta. At all material times, HMS Financial Inc. was not registered to trade in securities under the Act nor has ever filed a preliminary or final prospectus under the Act.

2. On December 4, 2001, the Saskatchewan Securities Commission issued a temporary order against HMS Financial and other Respondents which provided, inter alia, HMS Financial cease trading in securities up and to December 17, 2001. On December 17, 2001, the Saskatchewan Securities Commission extended the December 4, 2001 order against HMS Financial. This order remains in effect against HMS Financial.

3. On July 22, 2003, the Saskatchewan Financial Services Commission, Securities Division, issued a temporary order against HMS Financial Inc. and other Respondents which provided, inter alia, HMS Financial Inc. cease trading in securities up to and including August 5, 2003. On August 5, 2003, the Saskatchewan Financial Services Commission, Securities Division, extended its July 22, 2003 temporary order against HMS Financial Inc.. This order remains in effect against HMS Financial Inc.

4. On May 18, 2004, the Alberta Securities Commission issued an interim order against several Respondents, including HMS Financial Inc., which provided, inter alia, HMS Financial Inc. cease trading in securities, be denied all exemptions contained in Alberta securities laws and all trading in securities of HMS Financial Inc. shall cease. On June 2, 2004, the May 18, 2004 interim order was extended and remains in effect against HMS Financial Inc.

D. DETAILS

Pre – December 12, 2003 Meeting

1. In or about December 2003, Staff of The Manitoba Securities Commission ("Staff") received information that a resident of Manitoba had been approached by an entity described as Skyward Management to invest money.

2. As a result of receiving the foregoing information, Staff obtained a number of documents bearing the name Skyward Management Inc. which included a business overview, information on shareholder, mailing instructions for shareholders loan, share subscription agreement and beneficiary designation.

3. On or about December 8, 2003, Staff contacted the offices of Skyward by telephone and left a message to speak with someone about Skyward.

4. On or about December 9, 2003 Staff, using an alias identity, contacted a person at the Skyward offices by telephone who identified herself as Paulette Matovich ("Matovich"). During this telephone conversation, Matovich provided Staff with information about investing in Skyward and RRSP investments involving Commonwealth. Matovich also indicated Skyward was affiliated with HMS.

5. As a result of receiving the information provided by Matovich, Staff requested she fax Skyward application forms to Staff.

6. On or about December 9, 2003, Staff received a facsimile transmission from Skyward consisting of:

- a) A business overview page that bore the name of Skyward Management Inc.;
- b) A shareholder information form which bore the name of Skyward Management Inc.;
- c) A share subscription agreement;
- d) A beneficiary designation form;
- e) A document entitled "Mailing Instructions" bearing the name of Skyward Management Inc.

7. On or about December 10, 2003 Staff, using an alias identity, contacted Matovich by phone and indicated that Staff's wife was interested in the RRSP aspect of the investment. Staff indicated they wanted more information. Matovich transferred Staff to an individual who identified himself as Bob Smith. During the conversation with Smith, Smith provided to Staff information about investing in Skyward and the RRSP investment.

8. On or about December 10, 2003, Staff was contacted by telephone by Serediuk. During this phone call, Serediuk indicated:

- He worked for Commonwealth Marketing Group Limited and Skyward and that he had been talking to Bob Smith.
- He indicated that Staff sounded serious and he and Smith wanted to fly out to Winnipeg to meet with Staff.
- He and Smith worked with Peter Sheridan and Blaine Cisna very closely.

9. Arrangements were made for Serediuk and Smith to meet Staff in Winnipeg at a hotel on December 12, 2003.

December 12, 2003 meeting

10. On December 12, 2003, Serediuk and Smith met with two members of Staff who were using alias identities, at a hotel in Winnipeg.

11. At the December 12, 2003 meeting in Winnipeg:

- Serediuk said he and Smith were both affiliated with Skyward and Commonwealth. Serediuk indicated that Skyward was the investment arm and Commonwealth was the RRSP arm. Serediuk indicated he is the investment guy and that Smith is the RRSP guy.
- Smith indicated that the RRSP account had to be transferred to Canadian Western Trust, securities had to be sold and the proceeds would be invested into a second mortgage on a property in Calgary that paid 12% interest per year. Smith said that the RRSP aspect with Commonwealth was generated similar to the way Skyward's return was generated.
- It was indicated that Commonwealth was associated with Skyward and the funds invested in the second mortgage would go to the same place as funds that went into Skyward.
- Serediuk stated that he and Smith were not doing anything illegal but they did not want Revenue Canada or the Securities Commission involved because it hampers what they do. Serediuk indicated that the Securities Commissions think that they should be licensed.
- Serediuk explained how to invest in Skyward. He indicated that investors would:
 1. Buy a share of Skyward for \$25.00;
 2. Make a shareholders loan which pays a return of 12% per month;
 3. The money went from Skyward to Paget Capital, through a trust account of an individual by the name of Garth Bailey;
 4. The money then went to the Bank of Ireland;
 5. The money is then traded on an exchange in Brussels;
 6. The principal is paid back to the investor in 9 months and a T5 slip is provided;
 7. After 9 months, an account in Belize is set up through an IBC and investors can access money in the account with a bank card.
- Smith stated that if they had more than 50 shareholders in a company, it is not a private company and you have to do a prospectus. He said that they are only

putting 50 shareholders in each corporation and since November they have filed 1 ½ companies, 70 new shareholders in the month of November 2003.

- Smith said that he and Serediuk have two partners, Peter Sheridan and Blaine Cisna. He mentioned an affiliation with a company called Linden Hall that works on the trading floor in Belgium.
- Serediuk told Staff that the principal investment is secured by a bond that is now valued at \$100,000,000. Serediuk indicated Garth Bailey is the individual who holds the bond for Skyward, Commonwealth and HMS.
- Serediuk said they have raised \$12,000,000 since March of 2003.
- Serediuk explained that people are able to get their money out of the investment.
- Serediuk and Smith invited Staff to go to Belize with them in February 2004. They stated that they go every year to an annual meeting and they expected a number of investors to go.
- Both Serediuk and Smith indicated several times that they had documents in their hotel room and they wanted to give them to Staff.
- After Serediuk and Smith made the foregoing presentation to Staff, Staff, Serediuk and Smith went to their hotel room and in the hotel room Serediuk gave Staff documents relating to Skyward and Smith gave documents that were related to Commonwealth.
- Smith said that he had to get certain documents from Staff in order to open the RRSP account and needed Staff to sign documents. Smith provided Staff an application and some transfer documents.
- Smith provided Staff with a business card bearing the name Commonwealth Marketing Group Ltd. and indicated he was the treasurer and CFO of Commonwealth Marketing Group Ltd.
- Serediuk provided Staff with a business card bearing the name Commonwealth Marketing Group Ltd. Serediuk was identified as the president and CEO on the business card.
- There was discussion that Skyward was affiliated with HMS.

12. At the December 12, 2003 meeting, Serediuk provided Staff with the following documents:

- A document entitled "Business Overview" bearing the name Skyward Management Inc.

- A document requesting information on shareholder bearing the name Skyward Management Inc.
- A share subscription agreement.
- A beneficiary designation document.
- A document entitled "Mailing Instructions" bearing the name Skyward Management Inc.

13. At the December 12, 2003 meeting, Smith provided Staff with the following documents:

- A document entitled "JP Morgan Global Investment Trust" making reference to Linden Hall.
- A document making reference to JP Morgan Global Investment Trust.
- A Canadian Western Trust New Plan Fund Application.
- Instructions on how to transfer your RIF to Canadian Western Trust.
- A Canadian Western Trust transfer authorization for registered investments.
- A Canadian Western Trust document entitled "Arm's Length Mortgages and Your RRSP".
- A Canadian Western Trust contact list.

14. The December 12, 2003 meeting ended after Staff received the foregoing documents from Serediuk and Smith.

E. ALLEGATIONS

1. Staff of the Commission allege that:

(a) Smith, Serediuk, and Commonwealth traded in securities without having been registered to trade in securities or alternatively conducted acts in furtherance of a trade of a security without having been registered and without prospectus in contravention of section 6 and 37 of the Act;

(b) Smith, Serediuk, and Commonwealth's conduct, as set out above, was contrary to the public interest;

and due to these allegations Smith, Serediuk, and Commonwealth should not be entitled to use any of the exemptions set out in the Act and should be ordered to pay an administrative penalty pursuant to section 148.1 of the Act.

2. Such further and other matters as counsel may advise and the Commission may permit.

DATED at Winnipeg, Manitoba this 16th day of March, 2009.

Director

TO: ROBERT J. SMITH

AND TO: WILLIAM SEREDIUK

AND TO: COMMONWEALTH MARKETING GROUP LTD.